

# Financial Status Report

Prepared by the Finance Department



June 30, 2011

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through June 30, 2011. It compares revenues and expenditures for Fiscal Year 2010-11 and Fiscal Year 2009-10. In addition, the financial status of the Water and Wastewater Enterprises and the Village Project Area of the Redevelopment Agency are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles (GAAP).

## General Fund Balance

The books have been closed for the fiscal year, and the audit is underway. Interest income is shown on an amortized cost basis, and will be adjusted to market value as required under GAAP for presentation in the Comprehensive Annual Financial Report (CAFR). Revenues totaled \$114.6 million, which was \$3.2 million above recent projections. Expenditures and encumbrances at \$114 million were \$21.1 million below the budget for the year. Due to the City of Carlsbad's fiscal discipline, as reflected in the chart, the General Fund's unassigned fund balance is projected to grow by \$3.2 million for the year, for a total of just over \$54.6 million.

| GENERAL FUND<br>FISCAL YEAR 2010-11<br>UNASSIGNED FUND BALANCE<br>(unaudited) |  |
|---|--|
|   | <u>Actual on a<br/>Budgetary Basis</u> |
| Unassigned Fund Balance 7/1/2010  | \$51,416,340                           |
| Revenues/Transfers In*  | 114,594,378                            |
| Expenditures/Encumbrances/Transfers Out                                       | (113,965,335)                          |
| Other Changes in Nonspendable, Committed and Assigned**                       | 2,563,165                              |
| Unassigned Fund Balance 6/30/2011   | <u>\$54,608,548</u>                    |

\* Interest income is shown on an amortized basis, and will be \$182,432 more when adjusted to fair market value as required under GAAP for financial statement reporting.  
\*\* Nonspendable, committed and assigned fund balances include advances and additional amounts not available for spending.

## Top General Fund Revenues



**Property Taxes (\$48.4 million)** – Property taxes reflected a three percent decrease over Fiscal Year 2009-10. According to the County of San Diego Assessor's Office, assessed values in Carlsbad decreased by 1.3 percent for Fiscal Year 2010-11. The assessed values in San Diego County decreased 1.56 percent. This was the second consecutive year that Carlsbad and the County of San Diego's assessed values decreased from year to year. This reflected the continuing countywide slow down in property valuation and new construction, as well as an increase in foreclosures.

The primary reasons that property taxes for the year decreased by three percent as compared to the prior fiscal year were:

- Current taxes were down by \$201,000, or 0.4 percent, due to a decrease in assessed values.
- Aircraft taxes were down by \$711,000 due to one-time revenues received in the prior fiscal year.
- Supplemental taxes were up by \$101,000 due to an increase in home resales whereby the sales price of the home exceeded the previous assessed value.

- Payments for previous years' taxes were down by \$582,000 due to reassessments of commercial and industrial property.
- Unitary taxes were up by \$108,000 due to SDG&E adding to and improving existing facilities.



**Sales Taxes (\$26.4 million)** – For the year, sales tax revenues were \$3.6 million (or 16 percent) higher than the previous fiscal year. The primary factors in the increase over the prior fiscal year was the result of a 6.4 percent increase in sales tax revenues during the second calendar quarter of 2010; a 10.7 percent increase in sales tax revenues during the third calendar quarter of 2010; a 10.8 percent increase in sales tax revenues during the fourth calendar quarter of 2010; a 10.6 percent increase in sales tax revenues during the first calendar quarter of 2011; an estimated 3.3 percent increase in sales tax revenues during the second calendar quarter of 2011; and a 31.5 percent increase in the “triple flip” payment from the state due to economic growth and a negative correction made in the previous fiscal year.

For sales occurring in the first calendar quarter of 2011 (the most recent data available), key gains could be seen in new auto sales, service stations, light industry, office equipment and department stores. During the same period, key declines could be seen in health and government, restaurants and business services. Excluding one-time payments received as the result of audit findings, payments for previous quarters, etc., actual sales tax transactions were up 9.0 percent for sales occurring in the 12 months ended March 31, 2011 over the same 12-month period last year.

The largest economic segments in the city continued to be new auto sales, restaurants, apparel stores, department stores and miscellaneous retail. Together, they generated 62 percent of the city's sales tax revenues.



**Transient Occupancy Tax (\$11.6 million)** – Transient Occupancy Taxes (TOT) for the year reflected an increase of \$78,000, one percent more than the previous year. Higher occupancy rates throughout most of the city's hotels accounted for this variance. Year-to-date TOT figures represented taxes collected on hotel receipts through the month of June 2011.

Currently, there are 3,619 hotel rooms and 1,050 vacation rentals (timeshares) in the city. The average occupancy of hotel rooms over the most recent twelve months was 58 percent, two percentage point above last year's average.



**Franchise Taxes (\$4.6 million)** – Franchise taxes are generated from public utility sources such as San Diego Gas & Electric (SDG&E), trash collection franchises, fiber optic antenna systems and cable franchises conducting business within city limits. Year-to-date franchise taxes were down \$257,000 over the same period last year. A five percent increase in cable television franchise revenues (Time Warner and AT&T), a two percent increase in trash collection revenues and a nine percent increase in the fiber optic antenna system franchise fees were completely offset by an 18 percent decrease in the annual franchise fees paid by SDG&E.

SDG&E pays franchise taxes for the use of public land over which they transport gas and electric services. In addition, SDG&E pays an “in-lieu” franchise tax based on the value of gas and electricity transported through SDG&E lines, but purchased from another source. The majority of “in-lieu” taxes collected is from Cabrillo Power, the operator of the Encina Plant. The “in-lieu” tax was put in place to capture the franchise taxes on gas and electricity that is transported using public lands, but which would not otherwise be included in the calculations for franchise taxes. The franchise taxes paid by SDG&E were down in total by 18 percent. Net electricity sales were flat, while gas sales decreased by four percent. The “in-lieu” taxes are down by 43 percent for the year. The decrease in “in-lieu” taxes was a reflection of the amount of utilities transported through SDG&E lines but not purchased from SDG&E.



**Business License Tax (\$3.6 million)** – Business license revenues were up \$124,000 compared to Fiscal Year 2009-10. This increase was due in part to a timing difference in the receipt of three of the city’s larger annual license payments. These companies paid their current year’s licenses earlier than the previous year’s payments. In addition, a previously unlicensed business paid back taxes and penalties for the years it had been opened and unlicensed.

There are currently 8,846 licensed businesses operating within the city, 107 more than last year’s 8,739. The majority of taxed businesses (6,214 businesses) are located in Carlsbad, with 2,577 of these businesses home-based.



**Interdepartmental Charges (\$3.0 million)** – Interdepartmental charges were \$976,000, or 24 percent lower than last year. These charges were generated through engineering services charged to capital projects (down 39 percent or \$494,000), reimbursed work from other funds (down eight percent or \$600) and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by departments within the General Fund (down 18 percent or \$481,000). During the

previous fiscal year, the city went through a restructuring that moved several engineers and their associated costs to the city’s enterprises (the Water and Wastewater Funds). This reduced the amount of engineering labor in the General Fund charged to capital projects and the amount of miscellaneous interdepartmental expenses charged to the enterprises.



**Income from Investments and Property (\$2.6 million)** – For the year, income from investments and property was down \$929,000 compared to the previous fiscal year.

Interest income was down for the year due to the net effect of a 0.38 percent increase in the average daily cash balance combined with an 18 percent decrease in the average yield on the portfolio for the year (a drop in the yield from 2.52 percent last fiscal year to 2.06 percent in the current fiscal year). In addition, during July 2009, the Village Project Area of the Redevelopment Agency paid back \$500,000 in interest on their advance from the General Fund. This did not occur in the current fiscal year.

Income from property rentals was lower by \$58,000 due in part to reduced park site rentals, senior center rentals, and library learning center rentals.



**Ambulance Fees (\$2.5 million)** – The city bills any individual who is transported in one of the city’s ambulances. For the year, receipts from ambulance fees were up 7 percent or \$153,000 higher than last fiscal year. The number of billable transported patients in Fiscal Year 2010-11 (4,225) versus Fiscal Year 2009-10 (4,115) increased slightly. Also, additional billings for mileage, supplies and medications contributed to the increase in revenues.



**Other Revenue Sources (\$2.5 million)** – Other revenue sources increased by \$1.4 million and include revenues received by the city to offset the costs of special studies or projects for developers; reimbursements for damage done to city streets, right-of-ways, and other city-owned property; donations; reimbursement from the Gas Tax Fund for traffic signal maintenance; miscellaneous reimbursed expenses and refunds of prior year fees. The majority of this year’s increase was due to reimbursements received by the General Fund for the administrative costs of managing deposits being held for developers. This was the accumulation of several years’ worth of administrative expense reimbursements.



**Development-Related Revenues (\$2.4 million)** – Development-related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflected a moderate increase for the year. During the second half of the previous fiscal year, the city began to see an increase in development (primarily residential), throughout the city. The city originally projected that development-related revenues would continue to show small growth from the previous fiscal year. Up until December 2010, development within the city had slowed down considerably. However, with the adoption of the 2010 California Building Codes, which became effective January 1, 2011, several residential developers pulled building permits for phases that had been in plan check. Pulling these building permits prior to the effective date allowed them to construct these units without having to process revisions or code updates. Development continued on a steady pace since the adoption of the new building code.

Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities such as plan checks and inspections. One of the larger development related revenue sources in the year was engineering plan check fees, which is one of the first fees paid during the initial stages of development. Some of the activity in June included an early development stage of the Quarry Creek residential project.

Another source of development related revenue is building permits, which were up five percent as compared to last fiscal year. The increase in building permit revenue was derived from the combination of an increase in the valuation of new construction combined with an increase in the number of residential and commercial/industrial building permits issued. The year-to-date valuation of new construction in the current fiscal year was just over \$175.3 million, while it was just over \$158.9 million in the previous fiscal year, a 10.3 percent increase. In June, Carlsbad issued permits for 27 new homes, a slight increase from the 21 units permitted in May. Contractors will build 15 of the new homes in the southeast quadrant; all but one of the units will take shape in the Sandalwood and Wescott neighborhoods in La Costa Oaks North. The remainder of June’s 12 permitted homes will be constructed in the northeast quadrant as part of the Rockrose neighborhood in Robertson Ranch. For the year, 260 residential permits were issued, as compared to 339 permits issued last year.

For the month of June, one permit was issued for 35,262 square feet of new commercial space for the Pacific Ridge school gymnasium. Year-to-date there was a combined 630,320 square feet in commercial/industrial permits issued, as compared to 126,607 square feet in Fiscal Year 2009-10.



**Recreation Fees (\$1.7 million)** – Recreation fees are generated through instructional classes, camps, youth and adult sports, the triathlon, special events, parent participation preschool, senior programs, various aquatic programs, and lagoon permits. Year-to-date recreation fee revenue was \$11,000 lower than the previous fiscal year. The largest factors in this year’s decrease were lower participation in adult sports, instructional classes (lower enrollment and fewer classes being offered), senior trips/classes (senior trips stopped after the first quarter of the previous fiscal year), recreational swim and aquatic programs (impacted by the renovations at Carlsbad High School), and reduced enrollment in the preschool program. These decreases were partially offset by higher participation in aquatic lessons, special events, the triathlon, and day camps.



**Other Intergovernmental Revenues (\$1.1 million)** – Other intergovernmental revenues include miscellaneous receipts received from the state or federal governments, as well as local school districts. Included in the \$1.1 million received this year were reimbursements from local school districts for school resource officers, reimbursements for Peace Officer Standards and Training (POST), a state homeland security grant, a federal grant enhancing security along the border, state library grants, a habitat restoration grant, state mandated costs reimbursements and law enforcement assistance.



**Fines and Forfeitures (\$1 million)** – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The city recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. The largest factor in the decrease in revenues was a reduction in the number of parking citations being issued by the city. Another factor in this decrease was a reduction in overdue fines from the city’s two libraries.



**Transfer Taxes (\$911,000)** – When real property is sold, the County Assessor’s Office charges a transfer tax. The transfer tax rate in San Diego County is \$1.10 per thousand multiplied by the selling price of the property. The city receives 50 percent of the transfer tax charged for sales within the City of Carlsbad. A recent upturn in home resales led to the increase in transfer taxes.



**Other Licenses and Permits (\$823,000)** – Other licenses and permits consist of plumbing, electrical, mechanical, right-of-way, grading, conditional land use, lagoon, and other miscellaneous permit revenues. These permits usually increase/decrease along with increases/decreases in development activity.



**Other Charges or Fees (\$661,000)** – Other charges and fees are generated through the sale of city documents such as agenda bills, blueprints and copies; general fees collected for false alarms, easements and agreements, weed abatement and kiosk signs; audio/visual rental fees; and general services such as mutual aid response, mall police services, emergency response services, reports, etc. The largest factor contributing to the year-to-date decrease was the reimbursement received from the City of Los Angeles for the Batiquitos Lagoon enhancement project, including reimbursing the city for administrative costs, in the prior fiscal year.



**Vehicle License Fees (\$483,000)** – Vehicle License Fees (VLF) increased by \$174,000 over 2009-10 figures. VLF revenues are allocated to the various jurisdictions throughout the state on a prorated basis, based on population. VLF collected through June 2011 represents transactions occurring through June 2011. A recent upturn in new car sales and a three year retroactive clean-up payment received have led to this increase.



**Homeowners’ Exemptions (\$373,000)** – When property taxes are calculated on a particular parcel of property, the first \$7,000 of property value is excluded from the property tax calculation. The state then reimburses the city for this mandated exemption. This reimbursement is entitled Homeowners’ Exemption revenue and is shown under intergovernmental revenues.

**Expenditures**

Total General Fund expenditures, encumbrances and transfers out for Fiscal Year 2010-11 equaled \$114 million. This was \$21.1 million less than the budget of \$135.1 million. These “savings” represent an accumulation of efficiency efforts achieved over the past 10 years. Expenditures are shown on a budgetary basis, which means they include all amounts actually spent during the year, plus any money encumbered at the end of the year. A portion of the \$21.1 unspent money will be carried over to the next fiscal year. These “savings” will be used for one-time projects to improve efficiencies in the city.

The City Council allocated \$500,000 out of the General Fund budget for unanticipated emergencies or unforeseen program needs. As of June 30, 2011, \$32,153 had been authorized out of the contingency account, as shown in the chart below.

| <b>CONTINGENCY ACCOUNT<br/>USE OF FUNDS</b>                                      |               |             |                              |
|--|---------------|-------------|------------------------------|
| <b>EXPLANATION</b>   | <b>AMOUNT</b> | <b>DATE</b> | <b>RESOLUTION<br/>NUMBER</b> |
| <b>ADOPTED BUDGET</b>  | \$500,000     |             |                              |
| <b>USES:</b>   |               |             |                              |
| "In Kind" Service Assistance for the 2010 Carlsbad High School Homecoming Parade | (3,422)       | 09/28/2010  | 2010-230                     |
| "In Kind" Service Assistance for the Carlsbad Christmas Bureau                   | (2,563)       | 11/23/2010  | 2010-255                     |
| "In Kind" Service Assistance for the Mitchell Thorp Foundation                   | (995)         | 01/11/2011  | 2011-008                     |
| "In Kind" Service Assistance for Boy Scout Troup 748 Special Event               | (1,033)       | 04/05/2011  | 2011-056                     |
| Donation to Fraternity House   | (5,000)       | 04/26/2011  | Minutes                      |
| Donation to the AWARE Program  | (5,000)       | 04/26/2011  | Minutes                      |
| Donation to the Ivy Program  | (5,000)       | 04/26/2011  | Minutes                      |
| Winning Teams Grant for Carlsbad High School Speech and Debate Team              | (8,000)       | 05/24/2011  | 2011-114                     |
| "In Kind" Service Assistance for the Special Olympics                            | (1,140)       | 06/08/2011  | Policy 51                    |
| <b>TOTAL USES</b>  | (32,153)      |             |                              |
| <b>AVAILABLE BALANCE</b>   | \$467,847     |             |                              |

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

**GENERAL FUND  
REVENUE COMPARISON**

|                                       | ESTIMATED<br>REVENUE<br>2010-11 | ACTUAL<br>REVENUE<br>2009-10 | ACTUAL<br>REVENUE<br>2010-11 | ACTUAL 2010-11<br>COMPARED TO<br>ACTUAL 2009-10 |              |
|---------------------------------------|---------------------------------|------------------------------|------------------------------|---|--------------|
|                                       |                                 |                              |                              | DIFFERENCE                                      | %            |
| <b>TAXES</b>                          |                                 |                              |                              |   |              |
| PROPERTY TAX                          | \$ 48,424,000                   | \$49,694,554                 | \$48,409,517                 | (\$1,285,037)                                   | -2.6%        |
| SALES TAX                             | 26,342,000                      | 22,819,426                   | 26,386,132                   | 3,566,706                                       | 15.6%        |
| TRANSIENT TAX                         | 11,365,000                      | 11,490,488                   | 11,568,576                   | 78,088  | 0.7%         |
| FRANCHISE TAX                         | 4,696,000                       | 4,906,139                    | 4,649,535                    | (256,604)                                       | -5.2%        |
| BUSINESS LICENSE TAX                  | 3,378,000                       | 3,457,779                    | 3,581,369                    | 123,590   | 3.6%         |
| TRANSFER TAX                          | 804,000                         | 757,632                      | 910,976                      | 153,344   | 20.2%        |
| <b>TOTAL TAXES</b>                    | <b>95,009,000</b>               | <b>93,126,018</b>            | <b>95,506,105</b>            | <b>2,380,087</b>                                | <b>2.6%</b>  |
| <b>INTERGOVERNMENTAL</b>              |                                 |                              |                              |   |              |
| VEHICLE LICENSE FEES                  | 317,000                         | 308,984                      | 483,273                      | 174,289   | 56.4%        |
| HOMEOWNERS EXEMPTIONS                 | 381,000                         | 376,145                      | 372,945                      | (3,200)   | -0.9%        |
| OTHER                                 | 956,000                         | 1,064,311                    | 1,066,496                    | 2,185   | 0.2%         |
| <b>TOTAL INTERGOVERNMENTAL</b>        | <b>1,654,000</b>                | <b>1,749,440</b>             | <b>1,922,714</b>             | <b>173,274</b>                                  | <b>9.9%</b>  |
| <b>LICENSES AND PERMITS</b>           |                                 |                              |                              |   |              |
| BUILDING PERMITS                      | 700,000                         | 731,260                      | 767,581                      | 36,321  | 5.0%         |
| OTHER LICENSES & PERMITS              | 750,000                         | 752,294                      | 822,704                      | 70,410  | 9.4%         |
| <b>TOTAL LICENSES &amp; PERMITS</b>   | <b>1,450,000</b>                | <b>1,483,554</b>             | <b>1,590,285</b>             | <b>106,731</b>                                  | <b>7.2%</b>  |
| <b>CHARGES FOR SERVICES</b>           |                                 |                              |                              |   |              |
| PLANNING FEES                         | 180,000                         | 369,149                      | 285,268                      | (83,881)  | -22.7%       |
| BUILDING DEPT. FEES                   | 610,000                         | 537,682                      | 681,264                      | 143,582   | 26.7%        |
| ENGINEERING FEES                      | 630,000                         | 587,041                      | 668,755                      | 81,714  | 13.9%        |
| AMBULANCE FEES                        | 2,387,000                       | 2,318,370                    | 2,471,423                    | 153,053   | 6.6%         |
| RECREATION FEES                       | 1,650,000                       | 1,704,791                    | 1,694,304                    | (10,487)  | -0.6%        |
| OTHER CHARGES OR FEES                 | 497,000                         | 1,133,792                    | 660,767                      | (473,025)                                       | -41.7%       |
| <b>TOTAL CHARGES FOR SERVICES</b>     | <b>5,954,000</b>                | <b>6,650,825</b>             | <b>6,461,781</b>             | <b>(189,044)</b>                                | <b>-2.8%</b> |
| <b>FINES AND FORFEITURES</b>          |                                 |                              |                              |   |              |
|                                       | 977,000                         | 1,054,087                    | 1,001,461                    | (52,626)  | -5.0%        |
| <b>INCOME FROM INT &amp; PROPERTY</b> |                                 |                              |                              |   |              |
|                                       | 2,532,000                       | 3,544,469                    | 2,615,193                    | (929,276)                                       | -26.2%       |
| <b>INTERDEPARTMENTAL CHARGES</b>      |                                 |                              |                              |   |              |
|                                       | 2,786,000                       | 3,990,845                    | 3,015,095                    | (975,750)                                       | -24.4%       |
| <b>OTHER REVENUE SOURCES</b>          |                                 |                              |                              |   |              |
|                                       | 986,000                         | 1,021,178                    | 2,467,662                    | 1,446,484                                       | 141.6%       |
| <b>TRANSFERS IN</b>                   |                                 |                              |                              |   |              |
|                                       | 0                               | 5,315,655                    | 14,082                       | (5,301,573)                                     | -99.7%       |
| <b>TOTAL GENERAL FUND</b>             | <b>111,348,000</b>              | <b>117,936,071</b>           | <b>114,594,378</b>           | <b>(3,341,693)</b>                              | <b>-2.8%</b> |

| <b>GENERAL FUND<br/>EXPENDITURE STATUS BY DEPARTMENT</b> |                               |                                       |                                |                             |
|--|-------------------------------|---------------------------------------|--------------------------------|-----------------------------|
| DEPT DESCRIPTION   | TOTAL<br>BUDGET<br>FY 2010-11 | AS OF 06/30/11                        |                                |                             |
|  |                               | ACTUAL ON A<br>BUDGETARY<br>BASIS (b) | UNDER/<br>(OVER)<br>BUDGET (c) | %UNDER/<br>(OVER)<br>BUDGET |
| <b>POLICY/LEADERSHIP GROUP</b>                           |                               |                                       |                                |                             |
| CITY COUNCIL   | \$416,011                     | \$352,146                             | \$63,865                       | 15.4%                       |
| CITY MANAGER   | 1,722,462                     | 1,467,688                             | 254,774                        | 14.8%                       |
| COMMUNICATIONS   | 930,056                       | 916,778                               | 13,278                         | 1.4%                        |
| CITY CLERK   | 293,504                       | 193,562                               | 99,942                         | 34.1%                       |
| CITY ATTORNEY  | 1,387,154                     | 1,327,416                             | 59,738                         | 4.3%                        |
| CITY TREASURER   | 214,915                       | 181,262                               | 33,653                         | 15.7%                       |
| RECORDS MANAGEMENT                                       | 879,071                       | 775,003                               | 104,068                        | 11.8%                       |
| <b>TOTAL POLICY/LEADERSHIP</b>                           | <b>5,843,173</b>              | <b>5,213,855</b>                      | <b>629,318</b>                 | <b>10.8%</b>                |
| <b>INTERNAL SERVICES</b>                                 |                               |                                       |                                |                             |
| FINANCE  | 4,067,089                     | 3,690,299                             | 376,790                        | 9.3%                        |
| HUMAN RESOURCES  | 2,964,089                     | 2,715,133                             | 248,956                        | 8.4%                        |
| PROPERTY AND ENVIRONMENTAL MANAGEMENT                    | 5,921,574                     | 5,375,819                             | 545,755                        | 9.2%                        |
| <b>TOTAL INTERNAL SERVICES</b>                           | <b>12,952,752</b>             | <b>11,781,251</b>                     | <b>1,171,501</b>               | <b>9.0%</b>                 |
| <b>PUBLIC SAFETY</b>                                     |                               |                                       |                                |                             |
| POLICE   | 28,539,953                    | 27,984,648                            | 555,305                        | 1.9%                        |
| FIRE   | 16,725,639                    | 16,244,518                            | 481,121                        | 2.9%                        |
| <b>TOTAL PUBLIC SAFETY</b>                               | <b>45,265,592</b>             | <b>44,229,166</b>                     | <b>1,036,426</b>               | <b>2.3%</b>                 |
| <b>COMMUNITY DEVELOPMENT</b>                             |                               |                                       |                                |                             |
| COMMUNITY AND ECONOMIC DEVELOPMENT                       | 10,459,574                    | 9,097,262                             | 1,362,312                      | 13.0%                       |
| HOUSING AND NEIGHBORHOOD SERVICES                        | 466,838                       | 424,087                               | 42,751                         | 9.2%                        |
| <b>TOTAL COMMUNITY DEVELOPMENT</b>                       | <b>10,926,412</b>             | <b>9,521,349</b>                      | <b>1,405,063</b>               | <b>12.9%</b>                |
| <b>COMMUNITY SERVICES</b>                                |                               |                                       |                                |                             |
| PARKS AND RECREATION                                     | 14,267,023                    | 12,554,105                            | 1,712,918                      | 12.0%                       |
| LIBRARY AND ARTS   | 11,612,077                    | 10,784,878                            | 827,199                        | 7.1%                        |
| <b>TOTAL COMMUNITY SERVICES</b>                          | <b>25,879,100</b>             | <b>23,338,983</b>                     | <b>2,540,117</b>               | <b>9.8%</b>                 |
| <b>PUBLIC WORKS</b>                                      |                               |                                       |                                |                             |
| TRANSPORTATION   | 10,871,098                    | 9,542,929                             | 1,328,169                      | 12.2%                       |
| UTILITIES  | 288,319                       | 260,581                               | 27,738                         | 9.6%                        |
| <b>TOTAL PUBLIC WORKS</b>                                | <b>11,159,417</b>             | <b>9,803,510</b>                      | <b>1,355,907</b>               | <b>12.2%</b>                |
| <b>NON-DEPARTMENTAL &amp; CONTINGENCY</b>                |                               |                                       |                                |                             |
| OTHER NON-DEPARTMENTAL (a)                               | 13,624,106                    | 1,163,581                             | 12,460,525                     | 91.5%                       |
| TRANSFERS OUT  | 8,985,850                     | 8,913,640                             | 72,210                         | 0.8%                        |
| CONTINGENCY  | 467,847                       | 0                                     | 467,847                        | 100.0%                      |
| <b>TOTAL NON-DEPT &amp; CONTINGENCY</b>                  | <b>23,077,803</b>             | <b>10,077,221</b>                     | <b>13,000,582</b>              | <b>56.3%</b>                |
| <b>TOTAL GENERAL FUND</b>                                | <b>\$135,104,249</b>          | <b>\$113,965,335</b>                  | <b>\$21,138,914</b>            | <b>15.6%</b>                |

(a) Other non-departmental includes technology innovation, property tax administration fees, assessment district administration, citywide litigation expenses, and other items not attributed to a specific department.

(b) Actual expenditures on a budgetary basis include encumbrances and exclude non-budgeted items.

(c) These "savings" represent an accumulation of efficiency efforts achieved over the past ten years.

Water Enterprise

| WATER OPERATIONS FUND<br>JUNE 30, 2011 |                      |                       |                       |  |                   |
|--|----------------------|-----------------------|-----------------------|--|-------------------|
|  | BUDGET<br>FY 2010-11 | YTD (*)<br>06/30/2010 | YTD (*)<br>06/30/2011 | CHANGE FROM<br>YTD 2009-10 TO<br>YTD 2010-11 | PERCENT<br>CHANGE |
| <b>REVENUES:</b>                       |                      |                       |                       |  |                   |
| WATER DELIVERY                         | 25,903,557           | 24,659,460            | 25,523,026            | 863,566                                      | 3.5%              |
| MISC. SERVICE CHARGES                  | 203,000              | 269,869               | 256,565               | (13,304)                                     | -4.9%             |
| PROPERTY TAXES                         | 2,730,000            | 2,823,846             | 2,781,642             | (42,204)                                     | -1.5%             |
| FINES, FORFEITURES & PENALTIES         | 232,000              | 261,326               | 280,534               | 19,208                                       | 7.4%              |
| OTHER REVENUES                         | 628,927              | 344,649               | 3,498,760             | 3,154,111                                    | 915.2%            |
| <b>TOTAL OPERATING REVENUE</b>         | <b>29,697,484</b>    | <b>28,359,150</b>     | <b>32,340,527</b>     | <b>3,981,377</b>                             | <b>14.0%</b>      |
| <b>EXPENSES:</b>                       |                      |                       |                       |  |                   |
| STAFFING                               | 3,479,854            | 2,770,142             | 3,395,599             | 625,457                                      | 22.6%             |
| INTERDEPARTMENTAL SERVICES             | 1,963,573            | 2,602,295             | 1,910,312             | (691,983)                                    | -26.6%            |
| PURCHASED WATER                        | 14,580,578           | 13,529,889            | 13,401,508            | (128,381)                                    | -0.9%             |
| MWD/CWA FIXED CHARGES                  | 4,277,737            | 3,503,011             | 4,282,646             | 779,635                                      | 22.3%             |
| OUTSIDE SERVICES/MAINTENANCE           | 1,238,290            | 692,683               | 841,903               | 149,220                                      | 21.5%             |
| DEPRECIATION/REPLACEMENT               | 3,968,000            | 3,908,662             | 3,968,000             | 59,338                                       | 1.5%              |
| CAPITAL OUTLAY                         | 14,479               | 230,733               | 17,768                | (212,965)                                    | -92.3%            |
| MISCELLANEOUS EXPENSES                 | 1,842,183            | 2,093,365             | 1,623,853             | (469,512)                                    | -22.4%            |
| <b>TOTAL OPERATING EXPENSES</b>        | <b>31,364,694</b>    | <b>29,330,780</b>     | <b>29,441,589</b>     | <b>110,809</b>                               | <b>0.4%</b>       |
| <b>OPERATING INCOME/(LOSS)</b>         | <b>(1,667,210)</b>   | <b>(971,630)</b>      | <b>2,898,938</b>      | <b>3,870,568</b>                             | <b>398.4%</b>     |

(\*) Adjusted to reflect timing differences for water purchases and depreciation.

Revenues



- The increase in water delivery revenues was the net result of a combination of a seven percent decrease in the number of water units sold and an average 18 percent increase in water rates charged to our customers (water sales and delivery charges) that went into effect in January 2011.
- A decrease in new account charges, same day turn on fees and miscellaneous services was reflected in the decrease in miscellaneous service charges.
- Higher fines, forfeitures and penalties were the result of an increase in late charges and door hanger fees due to rate increases that have occurred over the past couple of years.
- Reimbursements received by the Enterprise from the prior year Marbella lawsuit led to the increase in other revenues.

Expenses



- A recent citywide reorganization moved some employees from the General Fund to the Water Enterprise. This resulted in higher staffing expenses and a reduction in interdepartmental services for the Enterprise.
- Although the amount of purchased water decreased by eight percent, two rate increases from the SDCWA that occurred over the past couple of years, partially offset some of these savings.
- The purchase of valve maintenance equipment, new software and a new truck in the prior fiscal year was reflected in the decrease in capital outlay expenses for the year.
- The Enterprise has been replacing old meters with new automated meters. A large order for replacement meters was made at the end of the previous fiscal year which was reflected in the net lower outside services/maintenance and miscellaneous expenses.

A reduction in water sales due to continued water conservation efforts led to lower operating revenues than originally anticipated. The decrease in operating revenues was offset by one-time revenues received from the Marbella lawsuit and a large reduction in purchased water expenses.

Wastewater Enterprise

| WASTEWATER OPERATIONS FUND      |                   |                   |                   |                |              |
|---------------------------------|-------------------|-------------------|-------------------|----------------|--------------|
| JUNE 30, 2011                   |                   |                   |                   |                |              |
|                                 | BUDGET            | YTD (*)           | YTD (*)           | CHANGE FROM    | PERCENT      |
|                                 | FY 2010-11        | 06/30/2010        | 06/30/2011        | YTD 2009-10 TO | CHANGE       |
|                                 |                   |                   |                   | YTD 2010-11    |              |
| <b>REVENUES:</b>                |                   |                   |                   |                |              |
| CHARGES FOR CURRENT SERVICES    | 9,672,083         | 9,515,048         | 9,973,053         | 458,005        | 4.8%         |
| INTEREST                        | 51,000            | 55,050            | 52,253            | (2,797)        | -5.1%        |
| OTHER REVENUES                  | 369,113           | 147,302           | 302,652           | 155,350        | 105.5%       |
| <b>TOTAL OPERATING REVENUE</b>  | <b>10,092,196</b> | <b>9,717,400</b>  | <b>10,327,958</b> | <b>610,558</b> | <b>6.3%</b>  |
| <b>EXPENSES:</b>                |                   |                   |                   |                |              |
| STAFFING                        | 2,190,929         | 1,617,429         | 2,077,544         | 460,115        | 28.4%        |
| INTERDEPARTMENTAL SERVICES      | 843,809           | 1,268,032         | 843,895           | (424,137)      | -33.4%       |
| ENCINA PLANT SERVICES           | 3,107,030         | 3,134,528         | 3,107,030         | (27,498)       | -0.9%        |
| OUTSIDE SERVICES/MAINTENANCE    | 614,200           | 333,061           | 284,266           | (48,795)       | -14.7%       |
| DEPRECIATION/REPLACEMENT        | 3,451,120         | 3,094,612         | 3,451,119         | 356,507        | 11.5%        |
| CAPITAL OUTLAY                  | 1,565             | 77,072            | 14,795            | (62,277)       | -80.8%       |
| MISCELLANEOUS EXPENSES          | 710,079           | 532,660           | 618,163           | 85,503         | 16.1%        |
| <b>TOTAL OPERATING EXPENSES</b> | <b>10,918,732</b> | <b>10,057,394</b> | <b>10,396,812</b> | <b>339,418</b> | <b>3.4%</b>  |
| <b>OPERATING INCOME/LOSS</b>    | <b>(826,536)</b>  | <b>(339,994)</b>  | <b>(68,854)</b>   | <b>271,140</b> | <b>79.7%</b> |

(\*) Adjusted to reflect timing differences for Encina quarterly invoices and depreciation.

Revenues



- The increase in charges for current services was primarily the result of an additional 2,124 new residential account fees over the past twelve months, as well as a ten percent rate increase that went into effect in January 2011.
- The increase in other revenues was the result of engineers within the Enterprise charging their time to capital improvement projects.

Expenses



- A recent citywide reorganization moved some employees from the General Fund to the Wastewater Enterprise. This resulted in higher staffing expenses and a reduction in interdepartmental services for the Enterprise.
- Encina plant services to date are the actual costs for the first, second and third quarters of the fiscal year, and an estimate of the fourth quarter billing.
- Additional vector rental expenses in the prior fiscal year was a major factor in this year’s outside services/maintenance variance.
- Depreciation expenses have been increasing on an annual basis as the Enterprise acquires new equipment and replaces old equipment.
- The purchase of replacement parts and the repairs and maintenance of numerous sewer lift stations impacted miscellaneous expenses.

Wastewater revenues came in higher than the budget estimate due to a timing difference. The revenue estimate was done with the annual operating budget which was adopted in June 2010, which included a projected rate increase. However, the actual rate increase was not approved until January 2011 and it varied slightly from the originally projected increase. In addition, operating expenses came in \$522,000 below budget. A major factor in this variance was due to the Sewer Line Cleaning Optimization Program being delayed due to habitat issues.

Redevelopment Agency

| CARLSBAD REDEVELOPMENT AGENCY<br>VILLAGE PROJECT AREA<br>OPERATIONS, DEBT SERVICE AND CAPITAL FUNDS<br>JUNE 30, 2011 |                      |                   |                   |  |                   |
|--|----------------------|-------------------|-------------------|--|-------------------|
|  | BUDGET<br>FY 2010-11 | YTD<br>06/30/2010 | YTD<br>06/30/2011 | CHANGE FROM<br>YTD 2009-10 TO<br>YTD 2010-11 | PERCENT<br>CHANGE |
| <b>REVENUES</b>  |                      |                   |                   |  |                   |
| PROPERTY TAXES   | 2,580,000            | 2,823,918         | 2,820,708         | (3,210)                                      | -0.1%             |
| INTEREST   | 28,000               | 46,796            | 38,484            | (8,312)                                      | -17.8%            |
| OTHER REVENUES   | 19,000               | 19,469            | 22,580            | 3,111  | 16.0%             |
| <b>TOTAL OPERATING REVENUE</b>   | <b>2,627,000</b>     | <b>2,890,183</b>  | <b>2,881,772</b>  | <b>(8,411)</b>                               | <b>-0.3%</b>      |
| <b>EXPENDITURES</b>  |                      |                   |                   |  |                   |
| STAFFING   | 170,559              | 183,318           | 176,412           | (6,906)                                      | -3.8%             |
| INTERDEPARTMENTAL SERVICES   | 77,515               | 77,622            | 77,515            | (107)  | -0.1%             |
| RENTALS & LEASES   | 55,078               | 50,831            | 50,842            | 11   | 0.0%              |
| DEBT EXPENSE   | 1,683,208            | 2,840,494         | 1,683,467         | (1,157,027)                                  | -40.7%            |
| CAPITAL OUTLAY   | 1,844,938            | 55,062            | 0                 | (55,062)                                     | -100.0%           |
| OUTSIDE SERVICES, MAINT & MISC   | 438,542              | 250,553           | 149,212           | (101,341)                                    | -40.4%            |
| <b>TOTAL OPERATING EXPENDITURES</b>  | <b>4,269,840</b>     | <b>3,457,880</b>  | <b>2,137,448</b>  | <b>(1,320,432)</b>                           | <b>-38.2%</b>     |
| <b>TOTAL OPERATING REVENUES OVER EXPENDITURES</b>  | <b>(1,642,840)</b>   | <b>(567,697)</b>  | <b>744,324</b>    | <b>1,312,021</b>                             | <b>-231.1%</b>    |

Revenues



- According to the San Diego County Assessor, assessed values in the Village Project Area increased by 0.59 percent in Fiscal Year 2010-11. However, the decrease for the year was due to a small increase in delinquencies.
- Interest revenues decreased due to the combination of a three percent decrease in the average cash balance for the year and an 18.4 percent decrease in the yield on the Treasurer’s portfolio.
- An increase in building rentals impacted other revenues for the fiscal year.

Expenditures



- The small decrease in staffing expenditures was due to a reduction in part-time employees and earned leave accrual.
- The SERAF payment in FY 2010-11 was much smaller than the previous fiscal year creating this year’s debt expense variance.
- In the prior fiscal year, costs related to the installation of additional street lights could be seen in the higher capital outlay expenditures.
- The costs associated with concrete repairs; the retrofitting of street lights to be more energy efficient; and additional signage were higher in the previous fiscal year, and this reduction was reflected in the lower outside services, maintenance and miscellaneous expenditures for the current fiscal year.

Higher property taxes than originally anticipated led to the increase in operating revenues for the year. Expenditures ended the year significantly less than the budget as two large projects, the New Village Arts exterior improvements and the storefront improvement program will be carried forward into the 2011-12 Fiscal Year.